

Message Text

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ACTION EUR-12

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FM AMEMBASSY ANKARA
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INFO USIA WASHDC
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AMEMBASSY ATHENS
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMCONSUL ISTANBUL
AMCONSUL IZMIR
AMEMBASSY NICOSIA
AMEMBASSY PARIS
CINCUSAFE
USCINCEUR
USDOCOLANDSOUTHEAST IZMIR
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SUBJECT: TURKISH FY 78 BUDGET: STATUS REPORT

REF: ANKARA 0689

1. FOLLOWING IS BRIEF UP-DATED SUMMARY OF STATUS OF TURKISH
PARLIAMENTARY CONSIDERATION OF FY 78 BUDGET PRESENTED TO
MIXED BUDGET COMMITTEE BY FINANCE MINISTER MUEZZINOGLU JANUARY

21 (REFTEL).

2. DELIBERATIONS ON BUDGET HAVE PROCEEDED AT UNUSUALLY RAPID PACE, AND DESPITE LATE START CAUSED BY CHANGE OF GOVERNMENT, WILL BE COMPLETED BEFORE MARCH 1, 1978, AS CONSTITUTION REQUIRES. MIXED COMMITTEE COMPLETED ITS WORK ON BUDGET IN TWO WEEKS RATHER THAN USUAL EIGHT, THUS MAKING UP FOR MOST OF TIME LOST DURING DECEMBER-JANUARY GOVERNMENT CRISIS. ACCORDING TO ONE SENIOR OFFICIAL OF MINISTRY OF FINANCE, REVIEW PROCESS HAS GONE SO WELL THAT ECEVIT GOVERNMENT IS SUFFICIENTLY CONFIDENT OF OUTCOME TO CONTACT IMF BEFORE BUDGET IS ACTUALLY APPROVED BY PARLIAMENT.

3. MIXED COMMITTEE MADE FOLLOWING GLOBAL CHANGES TO BUDGET ORIGINALLY DRAFTED BY DEMIREL GOVERNMENT AND ADOPTED AS STARTING POINT BY INCOMING ECEVIT GOVERNMENT.

A) PROPOSED EXPENDITURES HAVE BEEN INCREASED TO TL 264.8 BILLION (\$13.75 BILLION AT CURRENT EXCHANGE RATE), A NOMINAL TWO PERCENT INCREASE OVER ORIGINAL TL 260 BILLION FIGURE. ALTHOUGH THIS IS A 17.3 PERCENT RISE OVER FY 77 BUDGET, IT REPRESENTS A DECREASE IN REAL TERMS FROM PREVIOUS YEAR BECAUSE OF 30 PERCENT-PLUS INFLATION RATE.

B) COMMITTEE RAISED ESTIMATED REVENUES TO TL 249.3 BILLION (\$12.95 BILLION) COMPARED TO ORIGINAL DEMIREL ESTIMATE OF TL 244.5 BILLION (\$12.70 BILLION).

C) RESULT IS A DEFICIT OF TL 15.5 BILLION (\$810 MILLION), LIMITED OFFICIAL USE

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NO CHANGE FROM DEFICIT ENVISAGED IN PREVIOUS GOVERNMENT'S PROPOSAL. THIS IS A DECREASE IN LEVEL OF BUDGET DEFICIT APPROVED IN FY 77 OF ABOUT 20 PERCENT.

4. MINISTRY OF INDUSTRY AND TECHNOLOGY APPROPRIATIONS SUFFERED LARGEST CUT WITH 78 PERCENT REDUCTION FROM PREVIOUS YEAR. THIS UNDOUBTEDLY REFLECTS ABSENCE FROM GOVERNMENT OF FORMER DEPUTY PRIME MINISTER ERBAKAN WHO TOOK SPECIAL INTEREST DURING COALITION GOVERNMENT PERIOD IN AFFAIRS OF THIS MINISTRY. HOWEVER, THESE APPROPRIATIONS HAVE BEEN TRANSFERRED TO FINANCE MINISTRY AND ARE STILL EARMARKED FOR ALLOCATION TO INDUSTRIAL INVESTMENTS. LARGEST INCREASES PROPOSED IN COMMITTEE REVISION ARE:

- A) MINISTRY OF FINANCE - TL 26.7 BILLION (\$1.4 BILLION)
- B) STATE HIGHWAYS DEPARTMENT - TL 2.3 BILLION (\$119 MILLION)
- C) MINISTRY OF VILLAGE AFFAIRS - TL 1.5 BILLION (\$78 MILLION)
- D) MINISTRY OF RECONSTRUCTION AND SETTLEMENT - TL 916 MILLION (\$48 MILLION)
- E) MINISTRY OF EDUCATION - TL 660 MILLION (\$34 MILLION)

5. PRINCIPAL ISSUE REMAINING TO BE SETTLED WHICH DOES NOT APPEAR TO HAVE BEEN ADDRESSED IN REVISED BUDGET IS EFFECT OF INCREASES

IN CIVIL SERVANTS' SALARIES. IT IS ESTIMATED THAT ADDITIONAL TL 12 BILLION WILL BE REQUIRED IN CONNECTION WITH NEW MINIMUM WAGE IN EFFECT SINCE JANUARY 1, AND ADDITIONAL TL 7.8 BILLION FOR SALARY INCREASES PLANNED, EFFECTIVE MARCH 1, FOR ALL CIVIL SERVANTS. AS PARLIAMENT IS PROHIBITED FROM INCREASING OVERALL LEVEL OF EXPENDITURES, IT APPEARS THAT FUNDING FOR THESE MEASURES WILL NECESSARILY COME FROM WITHIN BUDGET ITSELF, FURTHER SQUEEZING RELATIVELY AUSTERE LEVELS PROPOSED.

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